

**Economics 240: Economic Development**  
**Fall 2002**  
**MW 12:30-1:50, Econ 300**

**James Rauch**  
**Office: Econ 220**  
**Hours: MWF 9:30-10:30**  
**or by appointment**

## **SYLLABUS**

This course is intended to provide an introduction to the problems of economic development in the (former) Third World and to the economic relations between it and the mature industrial societies. The text for the course is:

Meier, Gerald M. and James E. Rauch. *Leading Issues in Economic Development*. Seventh edition, 2000.

Economic development is a field for which there exists relatively little consensus within the mainstream economics profession concerning what is important to know. For this reason it would be inappropriate to give problem sets and exams at the graduate level. Instead, the course requirements are two discussant reports, each 1000-2000 words long. The discussions in the *Annual World Bank Conference on Development Economics* series, available in both the IR/PS and SSH libraries (call number HC 59.69 W66), are good models for your reports. Your report should combine comments on the paper being discussed with your own ideas for how to approach the issues addressed by the paper.

You should discuss papers written after 1992, published or unpublished. Papers covered in the text or listed in this syllabus are disqualified. I have provided a list of suggested papers. There are many additional ways to search for papers: *EconLit*; general interest journals such as the *AER*, *JPE*, *QJE*, or *EJ*; special interest journals such as *Journal of Development Economics*; or web sites of institutions such as the World Bank and the Center for International Development at Harvard. You must get my approval of the papers in advance, whether or not they are on my suggestion list. Your first report is due Monday November 4. I will make suggestions for revision and the revision will be due one week after receipt of my suggestions. Your second report is due Monday December 9 and will not be revised. No late reports will be accepted.

## **COURSE OUTLINE**

In the following outline, my plan is to cover the items marked with an asterisk (\*); unmarked items are recommended reading that I will not cover.

### **I. Introduction 1-4\***

#### **A. Measuring Development 5-12\*, 13-20, 21-29\*, 30-34**

#### **B. Economic performance of less developed countries: The recent past 35-68**



\*Easterly, William. "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998." *Journal of Economic Growth* 6, June 2001: 135-157.

II. Historical Perspective 77-118\*

III. Savings and Investment 119-128\*, 141-146, 147-154\*

IV. International Trade and Technology Transfer 155-158\*

A. Trade 159-190\*, 191-194, 195-203\*

B. Foreign Contact and Technology Transfer 204-205\*, 206-210, 211-212\*

V. Human Resources 213-215\*

A. Education 216-217\*, 218-222, 223-227\*, 229-233, 237-240

Krueger, Alan B. and Lindahl, Mikael, "Education for Growth: Why and For Whom?" *Journal of Economic Literature* 39(4), December 2001, pp. 1112-1114 and 1118-1119.

\*Case, Anne and Deaton, Angus. "School Inputs and Educational Outcomes in South Africa." *Quarterly Journal of Economics* 114(3), August 1999, pp. 1047-1084.

B. Population 241\*, 242-248

C. Health

\*World Bank, *Confronting AIDS*, Summary, Chapter 1, Chapter 6.

<http://www.worldbank.org/aids-econ/confront/confrontfull>

Sachs, *Macroeconomics and Health: Investing in Health for Economic Development*, Executive Summary. <http://www.cid.harvard.edu/cidcmh/CMHReport.pdf>

\*Sachs, Kremer, and Hamoudi, "The Case for a Vaccine Purchase Fund."

[http://www2.cid.harvard.edu/cidmalaria/case\\_vpf.pdf](http://www2.cid.harvard.edu/cidmalaria/case_vpf.pdf)

D. Gender and Development 263-270\*, 283-284\*, 285-288

VI. Migration and the Urban Informal Sector 289-311\*, 318-327



\*Henderson, Vernon, "Urban Primacy, External Costs, and Quality of Life," *Resource and Energy Economics* 24, 2002: 95-106.

VII. Agriculture 329-331\*

\*Gallup, John Luke and Sachs, Jeffrey D., "Agriculture, Climate, and Technology: Why are the Tropics Falling Behind?" *American Journal of Agricultural Economics* 82, August 2000: 731-737.

VIII. Income Distribution 375-381\*

A. The Impact of Development on Income Distribution 382-386, 394-400\*

\*Higgins and Williamson, "Explaining Inequality the World Round: Cohort Size, Kuznets Curves, and Openness." <http://papers.nber.org/papers/W7224>

B. The Impact of Income Distribution on Development 401-403, 404-408\*

C. Case Studies 409-420\*

IX. Political Economy 421-425\*

A. The (Proper) Role of the State in Less Developed Countries 426-433

B. Rent Seeking and Government Failure 434-441\*, 446-470\*

C. State Capacity 471-475, 476-515\*

X. Development and the Environment 517-530\*, 531-534, 544-559



## ECON 240: SUGGESTED PAPERS FOR DISCUSSANT REPORTS

### I. Introduction

Jayaraj, D. and Subramanian, S. "Assessing the 'Femaleness' of a Population." *Journal of Development Economics* 61(1), pp. 271-289.

Sala-i-Martin, Xavier. "The World Distribution of Income Estimated from Individual Country Distributions." <http://papers.nber.org/papers/W8933>.

### II. Historical Perspective

Ades, Alberto F. and Glaeser, Edward L. "Evidence on Growth, Increasing Returns, and the Extent of the Market." *Quarterly Journal of Economics* 114(3), August 1999, pp. 1025-1045.

Lucas, Robert E. "Some Macroeconomics for the 21<sup>st</sup> Century." *Journal of Economic Perspectives* 14(1), Winter 2000, pp. 159-168.

### III. Savings and Investment

Edison, Hali J. et al. "Capital Account Liberalization and Economic Performance: Survey and Synthesis." <http://papers.nber.org/papers/W9100>.

Galindo, Arturo et al. "Does Financial Liberalization Improve the Allocation of Investment? Micro Evidence from Developing Countries." <http://fmwww.bc.edu/ec-p/wp503.pdf>.

Levine, Ross et al. "Financial Intermediation and Growth: Causality and Causes." *Journal of Monetary Economics* 46(1), August 2000, pp. 31-77.

### IV. International Trade and Technology Transfer

Asea, Patrick K. and Lahiri, Amartya. "The Precious Bane." *Journal of Economic Dynamics and Control* 23 (1999): 823-849.

Manzano, Osmel and Rigobon, Roberto. "Resource Curse or Debt Overhang?" <http://papers.nber.org/papers/W8390>.

### V. Human Resources

Behrman, Jere. "Women's Schooling, Home Teaching, and Economic Growth." *Journal of Political Economy* 107(4), August 1999.

Bloom, David E. "The Effect of Health on Economic Growth: Theory and Evidence." <http://papers.nber.org/papers/W8587>.



Duflo, Esther. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." *American Economic Review* 91(4), September 2001, pp. 795-813.

Garg, Ashish and Morduch, Jonathan. "Sibling Rivalry and the Gender Gap: Evidence from Child Health Outcomes in Ghana." *Journal of Population Economics* 11(4), December 1998: 471-93.

Kremer and Miguel, "Worms: Education and Health Externalities in Kenya."  
<http://papers.nber.org/papers/W8481>.

Pitt, Mark and Khandker, Shahidur. "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy* 106(5), October 1998, pp. 958-996.

## VII. Agriculture

Sachs, Jeffrey D. "Tropical Underdevelopment." <http://papers.nber.org/papers/W8119>.

## VIII. Income Distribution

Banerjee, Abhijit and Duflo, Esther. "Inequality and Growth: What Can the Data Say?"  
<http://papers.nber.org/papers/W7793>.

Barro, Robert J. "Inequality and Growth in a Panel of Countries." *Journal of Economic Growth* 5(1), March 2000, pp. 5-32.

Forbes, Kristin J. "A Reassessment of the Relationship Between Inequality and Growth." *American Economic Review* 90(4), September 2000, pp. 869-887.

Leamer, Edward E. et al. "Does Natural Resource Abundance Increase Latin American Income Inequality?" *Journal of Development Economics* 59(1), June 1999: 3-42.

## IX. Political Economy

Acemoglu, Daron et al. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91(5), December 2001, pp. 1369-1401.

Collier, Paul. "Ethnicity, Politics and Economic Performance." *Economics and Politics* 12(3), November 2000, pp. 225-245.

Easterly, William and Levine, Ross. "Tropics, Germs, and Crops: How Endowments Influence Economic Development." <http://papers.nber.org/papers/W9106>.

## X. Development and the Environment

Dasgupta, Susmita et al. "Confronting the Environmental Kuznets Curve." *Journal of Economic Perspectives* 16(1), Winter 2002, pp. 147-168.